

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:

THE FINANCE DEPARTMENT

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

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TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2004

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INTRODUCTION SECTION



Town of
LAUDERDALE-BY-THE-SEA

4501 Ocean Drive, Lauderdale-by-the-Sea, Florida 33308-3610
Telephone: (954) 776-0576 • Fax: (954) 776-1857

December 22, 2004

Honorable Mayor and Commissioners:

State law requires that all general purpose local governments publish within one year of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Town of Lauderdale-By-The-Sea implemented the new financial reporting requirements of Governmental Accounting Standards Board (GASB) Statement Number 34 for fiscal 2002. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Lauderdale-By-The-Sea for the fiscal year ended September 30, 2004.

This report consists of management's representations concerning the finances of the Town of Lauderdale-By-The-Sea. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Lauderdale-By-The-Sea's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Rachlin Cohen & Holtz LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the Town's financial statements for the fiscal year ended September 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Lauderdale-By-The-Sea's financial statements for the fiscal year ended September 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Lauderdale-By-The-Sea's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Town of Lauderdale-By-The-Sea, incorporated in 1947, is located between the Atlantic Ocean and the Intracoastal Waterway on the Gold Coast of Florida. The Town is in the east-central part of Broward County, 30 miles north of Miami and 33 miles south of Palm Beach. Because of the Town's prime seaside location, it can be expected to continue economic growth from tourism and other industries.

The Town of Lauderdale-By-The-Sea is primarily a residential community. Employment within the Town is primarily executive/managerial, professional and sales. The major industries within the Town are retail trade, finance, insurance and real estate. Most residents are employed within South Florida. The Town is presently 8.5 miles in area and has a year-round population of approximately 6,300 residents. The peak seasonal population is approximately 9,800.

The Town of Lauderdale-By-The-Sea provides the full range of municipal services for its citizens. These include public safety, sewer, and stormwater utilities, public works, parks and recreation facilities, and building, zoning and code enforcement.

The annual budget serves as the foundation for the Town of Lauderdale-By-The-Sea's financial planning and control. All departments of the Town are required to submit requests for appropriation to the Town Manager and these requests are the starting point for developing a proposed budget. The Town Manager then presents this proposed budget to the commission for review. The commission is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Town's fiscal year. The budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department (e.g., police). The classification detail at which expenditures may not legally exceed appropriations is at the fund level. The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted.

The Town operates under a commission-manager form of government. Policy-making and legislative authority are vested in the Town Commission, which consists of a mayor, a vice-mayor and three commissioners. The Town Commission is responsible, for passing ordinances, adopting and amending the annual budget, approving large purchases, adopting resolutions and appointing the Town Manager and Town Attorney.

The Town Manager is the chief administrative officer of the Town. The Town Manager is responsible for carrying out the policies and ordinances of the Commission, directing all Town employees, appointing and removing subordinate employees, preparing and submitting the annual budget and overseeing the day-to-day operations of the Town.

The Volunteer Fire Department is a private corporation whose operations are funded by the Town. The Fire Chief is elected by vote of the volunteer firefighters. As of October 1, 2004 fire services will be provided by the Broward County Sheriffs Office. The Volunteer Fire Department will no longer be funded by the Town but will provide their services to the Town as a subcontractor of the Sheriffs office.

The Town Commission meets on the second and fourth Tuesday of each month at 7:00 p.m. in Jarvis Hall, 4501 Ocean Drive, Lauderdale-By- The-Sea, Florida.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Lauderdale-By-The-Sea operates.

Local economy. The Town achieved tremendous growth, primarily residential, through annexation. The Town's 2003 final gross taxable value of \$1,259,147,591 increased to a current year gross taxable value of \$1,453,739,511 in 2004. This increase enabled the Town to maintain its high level of services and provide additional funding for the Townwide Capital Improvement Projects. In addition, the Town has maintained a low mileage rate of 4.70 per \$1,000 of assessed property values. Economic factors that will impact the Town in the upcoming year is the low rate of return on investments due to interest rates.

The Town continues to study the availability of vacant land or property within the Town limits to continue to improve townwide infrastructure, updating zoning protection, and funding capital improvement projects that support a healthy economical residential and business district.

Long-term financial planning. Earlier this year the Town was awarded local and state funding for Townwide capital projects. The projects will assist funding of the four beach access portals and one pavilion.

The Town will begin bid preparation and award construction contracts in order to begin the following projects:

- Melvin I. Anglin Beach Pavilion Project.
- Washingtonia Avenue Portal By The Sea Project.
- Hibiscus Street Portal By The Sea Project.
- Datura Avenue Portal By The Sea Project.
- Pine Avenue Beach Portal By The Sea Project.

The Town projects completion of the conversion of overhead utility lines along AIA during fiscal year 2004-2005.

The Town continues to improve the Capital Improvement Program by reviewing proposed plans, revising plan documents and when funding permits expanding projects. This approach will allow the Town to refine project cost estimates and undertake several capital improvement projects during the year.

The Town remains poised to move boldly into redevelopment by improving and maintaining infrastructure and fund beautification projects, which contribute to a healthy municipality and provide an economically viable business district. When done properly the Town residents' taxes will remain low while the service level remains high. If there is no redevelopment, the alternative will be higher taxes and a reduction of the quality of life.

Cash Management

As of September 30, 2004 the Town had approximately \$2,024,087 in emergency reserves. Most of the Town's unrestricted cash is deposited in pooled cash money market accounts and in repurchase agreements. Cash, temporarily idle and not required for current operation, is invested with the Florida State Board of Administration's Local Government Surplus Trust Investment Pool.

Risk Management

The Town obtains insurance coverage from the Florida Municipal Insurance Trust. In addition to maintaining the mandated insurance coverage the Town participates in the Florida League of Cities premium credit programs. This led to an incentive of \$18,000 in the current fiscal year. Since entering the Town in the Premium Credit Program, in FY 96/97, the Town has saved \$250,314.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the past 7 years. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

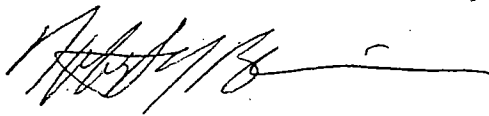
A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the Town again received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget for the fiscal year beginning October 1, 2003. In order to qualify for the Distinguished Budget Presentation Award the Town's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the administration department. We would also like to extend our thanks to the firm of Rachlin Cohen & Holtz LLP for their professional conduct of the Town's annual audit.

Finally, we wish to acknowledge the interest, funding and support of the Town Commission in management's planning and conducting the financial operations in a responsible and progressive manner.

Respectfully submitted,



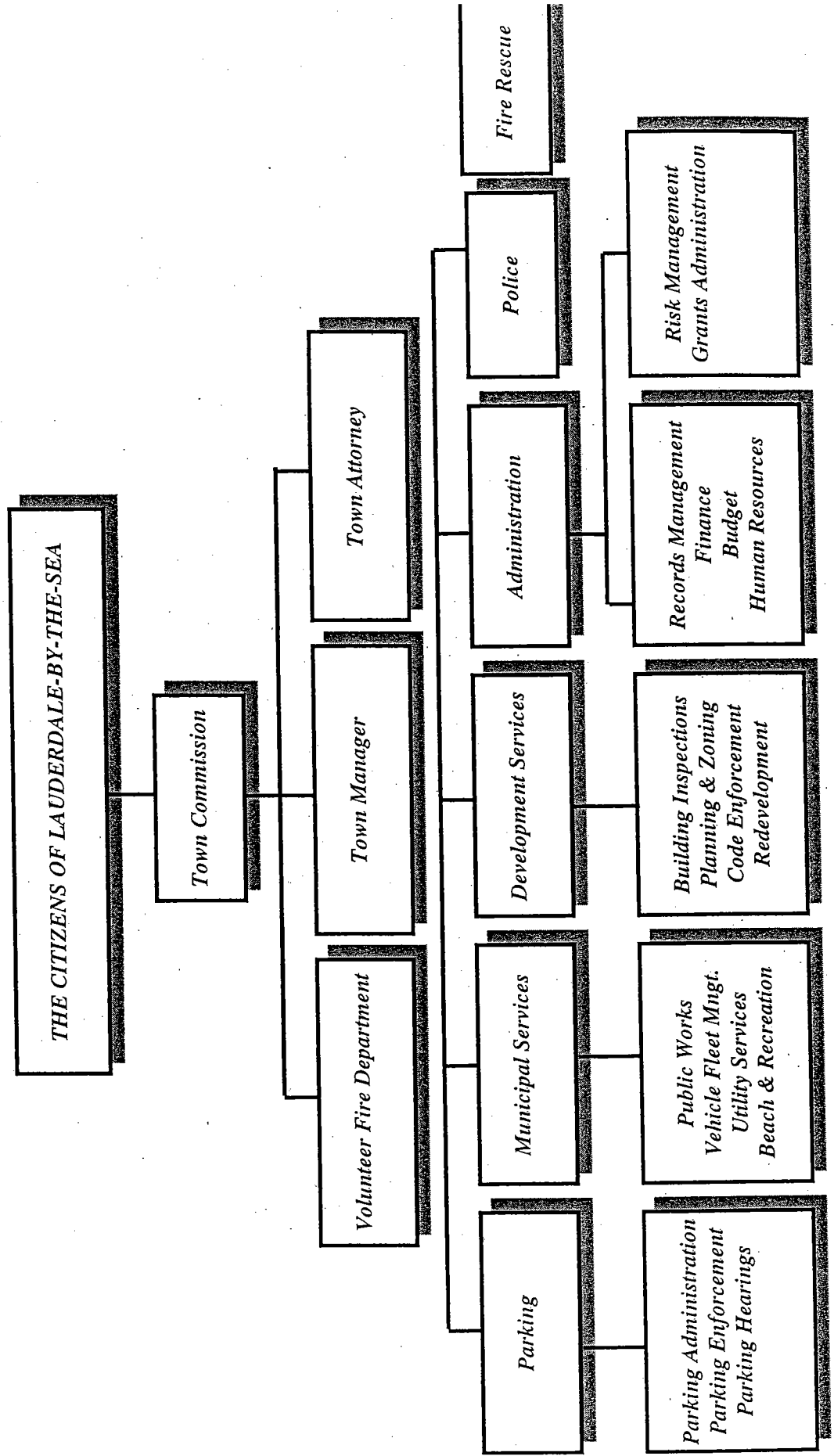
Robert Baldwin
Town Manager



Esther Colon
Finance Director

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

ORGANIZATION CHART



TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2004

TOWN COMMISSIONERS

Oliver Parker - Mayor
Ed Kennedy - Vice-Mayor
Charles Clark - Mayor Pro Tem
David Wessels
John L. Yanni

TOWN MANAGER

Robert Baldwin

TOWN ATTORNEY

James A. Cherof

TOWN CLERK

Alina Medina

FINANCE DIRECTOR

Esther Colon

TOWN AUDITORS

Rachlin Cohen & Holtz LLP
Accountants • Advisors

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Town of Lauderdale by the Sea,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the year then ended September 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lauderdale-By-The-Sea, Florida as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2004 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 to 9 and pages 38 to 41, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page 2

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information shown in the statistical section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
December 10, 2004

MANAGEMENT'S DISCUSSION ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Lauderdale-By-The-Sea financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal in the introductory section and in conjunction with the Town's basic financial statements, which begin on page 10.

Financial Highlights

The assets of the Town of Lauderdale-By-The-Sea exceeded its liabilities at the close of the most recent fiscal year by \$18,213,471 (*net assets*). Of this amount, \$8,894,549 (*unrestricted net assets*) may be used to meet the ongoing obligations to citizens and creditors. The Town's assets increased by \$2,494,125 during the current fiscal year.

As of the close of the current fiscal year, the Town of Lauderdale-By-The-Sea's governmental funds reported combined ending fund balances of \$13,712,581, a decrease of \$868,455 from the prior year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,099,409 or 49% of total general fund expenditures.

Long-Term Debt

The Town of Lauderdale-By-The-Sea has outstanding debt of approximately \$9,526,965 in the General Fund.

Although the Town's Charter makes no reference to limitation of general obligation debt, the Administrative Policy is to limit the Town's general obligation debt to 10% of the Town's total reported assessed valuation.

Currently, the Town has three long-term bank loans with a maturity date of September 2011 which were obtained to provide additional funding for major capital improvement projects, land and property acquisition. Principal and interest payments are budgeted in the appropriate fund.

Proprietary and special revenue funds have no outstanding obligations.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statement by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Lauderdale-By-The-Sea's basic financial statements. The Town of Lauderdale-By-The-Sea's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Lauderdale-By-The-Sea's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Lauderdale-By-The-Sea's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town of Lauderdale-By-The-Sea that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Lauderdale-By-The-Sea include general government, public safety, physical environment, recreation, and roads and street services. The business-type activities of the Town of Lauderdale-By-The-Sea include parking, stormwater and sewer operations.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Lauderdale-By-The-Sea, like other state and local governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Lauderdale-By-The-Sea can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Lauderdale-By-The-Sea maintains three individual governmental funds (general, capital projects, special revenue). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital improvement fund, both of which are considered to be major funds.

The Town of Lauderdale-By-The-Sea adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. The Town of Lauderdale-By-The-Sea maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Lauderdale-By-The-Sea uses enterprise funds to account for its parking, stormwater and sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, parking and stormwater operations, which are considered to be a major fund of the Town of Lauderdale-By-The-Sea.

The basic proprietary fund financial statements can be found on pages 15-18 of this report.

The Town as Trustee

The Town is the trustee, or fiduciary, for the Volunteer Firefighters' Pension Trust Fund. The *Pension Trust Fund* uses the accrual basis of accounting and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The Town's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 19. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial position. In the case of the Town of Lauderdale-By-The-Sea, total net assets exceeded liabilities by \$18,128,808 at the close of the most recent fiscal year.

By far the largest portion of the Town of Lauderdale-By-The-Sea's net assets reflects its investment in capital assets (e.g., roadways, improvements, equipment, buildings, land). The Town of Lauderdale-By-The-Sea uses these capital assets to provide services to citizens; consequently they are not available for future spending.

An additional portion of the Town of Lauderdale-By-The-Sea's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Lauderdale-By-The-Sea is able to report positive balances in all three categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

Due to lesser than anticipated expenditures, the Town's net assets increased by \$2,494,125 during the current fiscal year.

Governmental activities. Governmental activities increased the Town of Lauderdale-By-The-Sea's net assets by \$1,733,853, thereby accounting for 68% of the total growth in the net assets of the Town of Lauderdale-By-The-Sea, basically due to the delay of the expenditure of funds for the expansion of the Administration Building and the delay of occupying the new Public Work Complex.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities increased the Town of Lauderdale-By-The-Sea's net assets by \$789,001, accounting for 32% of the total growth in the government's net assets.

Town of Lauderdale-By-The-Sea
Changes in Net Assets – Comparative

	Governmental Activities	Business- type Activities	2004 Total	Governmental Activities	Business- type Activities	2003 Total
Current and other assets	\$ 13,967,445	\$ 1,798,603	\$ 15,766,048	\$ 14,856,160	\$ 1,422,184	\$ 16,278,344
Capital assets, net	<u>9,661,653</u>	<u>2,734,492</u>	<u>12,396,145</u>	<u>8,391,248</u>	<u>2,703,158</u>	<u>11,094,406</u>
Total assets	<u>23,629,098</u>	<u>4,533,095</u>	<u>28,162,193</u>	<u>23,247,408</u>	<u>4,125,342</u>	<u>27,372,750</u>
Long-term liabilities	9,729,188	-	9,729,188	9,654,495	327,359	9,981,854
Other liabilities	<u>169,931</u>	<u>50,333</u>	<u>220,264</u>	<u>1,652,991</u>	<u>104,022</u>	<u>1,757,013</u>
Total liabilities	<u>9,899,119</u>	<u>50,333</u>	<u>9,949,452</u>	<u>11,307,486</u>	<u>431,381</u>	<u>11,738,867</u>
Net assets:						
Invested in capital assets, net of related debt	6,584,700	2,734,492	9,319,192	8,288,058	2,328,022	10,616,080
Unrestricted	<u>7,145,279</u>	<u>1,749,270</u>	<u>8,894,549</u>	<u>3,651,864</u>	<u>1,365,939</u>	<u>5,017,803</u>
Total net assets	<u>\$ 13,729,979</u>	<u>\$ 4,483,762</u>	<u>\$ 18,213,741</u>	<u>\$ 11,939,922</u>	<u>\$ 3,693,961</u>	<u>\$ 15,633,883</u>

Town of Lauderdale-By-The-Sea
Changes in Net Assets by Program – Comparative

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2004 <u>Total</u>	Governmental <u>Activities</u>	Business- type <u>Activities</u>	2003 <u>Total</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,368,636	\$ 1,242,918	\$ 2,611,554	\$ 1,154,460	\$ 1,162,229	\$ 2,316,689
Operating grants and contributions	87,971	-	87,971	530,154	-	530,154
Capital grants and contributions	61,129	-	61,129	28,177	200	28,377
General revenues:						
Property taxes and assessments	7,833,400	-	7,833,400	5,531,092	-	5,531,092
Franchise fees and utility taxes	1,324,511	-	1,324,511	1,298,731	-	1,298,731
Intergovernmental	958,770	-	958,770	1,320,181	-	1,320,181
Unrestricted interest	842,502	11,848	854,350	690,604	13,375	703,979
Other miscellaneous	177	-	177	209,967	-	209,967
Total revenues	<u>12,477,096</u>	<u>1,254,766</u>	<u>13,731,862</u>	<u>10,763,366</u>	<u>1,175,804</u>	<u>11,939,170</u>
Expenses:						
General government	1,913,685	-	1,913,685	1,624,691	-	1,624,691
Public safety	6,081,784	-	6,081,784	3,506,295	-	3,506,295
Roads and streets	1,276,123	-	1,276,123	868,121	-	868,121
Recreation	367,357	-	367,357	277,542	-	277,542
Physical environment	138,273	-	138,273	107,469	-	107,469
Interest on long-term debt	406,104	-	406,104	429,724	-	429,724
Sewer	-	816,927	816,927	-	1,012,239	1,012,239
Stormwater	-	125,686	125,686	-	66,182	66,182
Parking	-	83,069	83,069	-	146,512	146,512
	<u>10,183,326</u>	<u>1,025,682</u>	<u>11,209,008</u>	<u>6,813,842</u>	<u>1,224,933</u>	<u>8,038,775</u>
Increase in net assets before transfers	2,293,770	229,084	2,522,854	3,949,524	(49,129)	3,900,395
Transfers	(559,917)	559,917	-	(525,801)	525,801	-
Change in net assets	1,733,853	789,001	2,522,854	3,423,723	476,672	3,900,395
Net assets, beginning	11,996,126	3,694,761	15,690,887	8,516,199	3,218,089	11,734,288
Net assets, ending	<u>\$ 13,729,979</u>	<u>\$ 4,483,762</u>	<u>\$ 18,213,741</u>	<u>\$ 11,939,922</u>	<u>\$ 3,694,761</u>	<u>\$ 15,634,683</u>

Financial Analysis of the Town's Funds

As noted earlier, the Town of Lauderdale-By-The-Sea uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Lauderdale-By-The-Sea's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Lauderdale-By-The-Sea's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Lauderdale-By-The-Sea's *governmental funds* reported combined ending fund balances of \$13,712,581, a decrease of \$868,455 from the prior year. The general fund is the primary operating fund of the Town. At the end of the current fiscal year, the

fund balance of the general fund was \$6,292,910, an increase of \$1,546,171. The key factor in this growth was management's conservative spending policy and approach in financial planning due to economic constraints.

Proprietary funds. The Town of Lauderdale-By-The-Sea's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer, Parking and Stormwater Funds at the end of the year amounted to \$1,749,270.

General Fund Budgetary Highlights

The differences in the actual revenues and expenses as compared to the budget are summarized as follows:

- Ad valorem taxes are by law provided in the budget at a 95% rate of actual anticipated revenue to provide an allowance for uncollected taxes, however, the Town's collection were realized at 96.6%.
- Interest revenue was slightly higher due to a better rate of return on investments.
- Utility taxes and franchise fees collected were realized at 100.95%.
- Licenses, Permits and Fees were higher due to an increase in the applications of more building permits and review of site plans.
- Intergovernmental revenues were higher due to funds received from Broward County as a result of recycling program.
- Due to management's conservative spending policy general fund actual expenditures as compared to the budget were realized at 89.6 percent. No department exceeded their annual adopted budget.

Please refer to the Budgetary Comparison Schedule fore more detailed information located on page 38.

Capital Assets

The Town of Lauderdale-By-The-Sea's investment in capital assets for its governmental and business type activities as of September 30, 2004, amounts to \$9,319,192 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, machinery and equipment.

Major capital asset events during the current fiscal year included:

- Completed expansion and improvement construction project of Municipal Park.
- Completed construction of the Palm Avenue Beach Access Portal.
- Acquired property for open space landscape project creating an urban forest at Washingtonia Avenue.

Additional information on the Town of Lauderdale-By-The-Sea's capital assets can be found in Note 4 on pages 29 and 30 of this report.

Economic Factors and Next Year's Budgets

Economic factors that will impact the Town's General Fund in upcoming budget considerations, include: the reduction in interest rates, the census error which has resulted in a lower population number affecting state shared revenues. With the national economy still at in flux and the war with Iraq could have an impact in the Town's future development.

Additionally, staff has been working with consultants to complete the following:

- Review Towns Comprehensive Land Use Plan and Code Enforcement policy to revise and adopt new ordinances.
- Review of current debt structure in anticipation of additional capital improvement project.
- Prioritize Towns Comprehensive Master Plan totaling capital projects of approximately 79 million dollars.
- Review of current contract with Broward County for joint construction project to build new police and fire complex.

Increase in staff to maintain a high level of community standards and operating expenses related to completed improvements projects have reviewed and budgeted next year in the appropriated department.

All the above factors were considered in preparing the Town's budget for fiscal year 2004.

Requests for Information

This financial report is designed to provide a general overview of the Town of Lauderdale-By-The-Sea's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Town of Lauderdale-By-The-Sea, 4501 Ocean Drive, Lauderdale-By-The-Sea, Florida 33308.

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BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 13,565,401	\$ 1,658,940	\$ 15,224,341
Receivables	317,540	139,234	456,774
Internal balances	(429)	429	-
Net pension asset	84,933	-	84,933
Capital assets, not depreciated			
Land	944,159	870,671	1,814,830
Construction in progress	2,307,162	-	2,307,162
Capital assets, net of accumulated depreciation			
Buildings and utility plant	1,630,447	1,863,821	3,494,268
Improvements other than buildings	2,772,240	-	2,772,240
Furniture, fixtures, machinery and equipment	338,986	-	338,986
Vehicles	72,125	-	72,125
Infrastructure	1,596,534	-	1,596,534
Capital assets, net	<u>9,661,653</u>	<u>2,734,492</u>	<u>12,396,145</u>
Total assets	<u>23,629,098</u>	<u>4,533,095</u>	<u>28,162,193</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	133,153	50,333	183,486
Deferred revenue	34,125	-	34,125
Deposits held in trust	2,653	-	2,653
Noncurrent liabilities:			
Due within one year	1,386,653	-	1,386,653
Due in more than one year	8,342,535	-	8,342,535
Total liabilities	<u>9,899,119</u>	<u>50,333</u>	<u>9,949,452</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	6,584,700	2,734,492	9,319,192
Unrestricted	<u>7,145,279</u>	<u>1,749,270</u>	<u>8,894,549</u>
Total net assets	<u>\$ 13,729,979</u>	<u>\$ 4,483,762</u>	<u>\$ 18,213,741</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-TH-SEA, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities
Governmental activities:						
General government	\$ 1,913,685	\$ 573,560	\$ 87,971	\$ -	\$ (1,252,154)	\$ -
Public safety	6,081,784	270,624	176,834	-	(5,634,326)	-
Roads and streets	1,276,123	1,002,107	-	61,129	(212,887)	-
Recreation	367,357	5,777	-	-	(361,580)	-
Physical environment	138,273	49,801	-	-	(88,472)	-
Interest on long-term debt	406,104	-	-	-	(406,104)	-
Total governmental activities	10,183,326	1,901,869	264,805	61,129	(7,955,523)	-
Business-type activities:						
Sewer	816,927	1,175,712	-	-	-	358,785
Stormwater	125,686	-	-	-	-	(125,686)
Parking	83,069	67,206	-	-	-	(15,863)
Total business-type activities	1,025,682	1,242,918	-	-	-	217,236
Total	\$11,209,008	\$3,144,787	\$ 264,805	\$ 61,129	(7,955,523)	(7,738,287)
General revenues:						
Property taxes and fire assessment fees					7,833,400	-
Franchise fees based on gross receipts and utility taxes					1,324,511	-
Miscellaneous					223,267	-
Intergovernmental					697,386	-
Unrestricted interest					170,729	11,848
Transfers					(559,917)	559,917
Total general revenues and transfers					9,689,376	571,765
Change in net assets					1,733,853	789,001
Net assets - beginning					11,996,126	3,694,761
Net assets - ending					\$ 13,729,979	\$ 4,483,762
						\$ 18,213,741

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and investments	\$6,162,124	\$6,896,969	\$ 506,308	\$ 13,565,401
Receivables	297,668	-	19,872	317,540
Total assets	<u>\$6,459,792</u>	<u>\$6,896,969</u>	<u>\$ 526,180</u>	<u>\$ 13,882,941</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	129,675	3,478	-	133,153
Due to other funds	429	-	-	429
Deferred revenue	34,125	-	-	34,125
Deposits	2,653	-	-	2,653
Total liabilities	<u>166,882</u>	<u>3,478</u>	<u>-</u>	<u>170,360</u>
Fund balances:				
Designated for:				
Subsequent years' expenditures	-	3,868,019	-	3,868,019
Emergencies	2,024,087	-	-	2,024,087
Capital projects	-	2,478,769	-	2,478,769
Vehicle and equipment reserve	-	125,318	-	125,318
Capital assets	451,010	421,385	-	872,395
Special revenue funds	-	-	526,180	526,180
Undesignated	3,817,813	-	-	3,817,813
Total fund balances	<u>6,292,910</u>	<u>6,893,491</u>	<u>526,180</u>	<u>13,712,581</u>
Total liabilities and fund balances	<u>\$6,459,792</u>	<u>\$6,896,969</u>	<u>\$ 526,180</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,661,653
A negative (NPO) net pension obligation is not considered to represent a financial asset and therefore is not reported in the governmental fund.	84,933
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,729,188)
Net assets of governmental activities	<u>\$ 13,729,979</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes and fire assessment fees	\$ 7,833,400	\$ -	\$ -	\$ 7,833,400
Franchise fees and utility taxes	1,324,511	-	-	1,324,511
Intergovernmental	1,008,571	-	228,250	1,236,821
Fines and forfeitures	541,328	-	43,599	584,927
Charges for services	696,934	-	-	696,934
Interest and other	89,606	77,789	3,334	170,729
Licenses and permits	80,573	-	-	80,573
Grants	109,285	39,815	176,381	325,481
Miscellaneous revenues	218,343	-	5,377	223,720
Total revenues	<u>11,902,551</u>	<u>117,604</u>	<u>456,941</u>	<u>12,477,096</u>
Expenditures:				
Current:				
General government	1,528,070	-	-	1,528,070
Public safety	5,198,026	-	828,466	6,026,492
Roads and streets	1,131,320	-	-	1,131,320
Recreation	300,690	-	-	300,690
Physical environment	103,193	-	-	103,193
Capital outlay	49,150	1,949,176	-	1,998,326
Debt service:				
Principal	274,565	1,016,874	-	1,291,439
Interest	31,595	374,509	-	406,104
Total expenditures	<u>8,616,609</u>	<u>3,340,559</u>	<u>828,466</u>	<u>12,785,634</u>
Excess (deficiency) of revenues over expenditures	<u>3,285,942</u>	<u>(3,222,955)</u>	<u>(371,525)</u>	<u>(308,538)</u>
Other financing sources (uses):				
Transfers in	-	639,972	539,882	1,179,854
Transfers out	(1,739,771)	-	-	(1,739,771)
Total other financing sources (uses)	<u>(1,739,771)</u>	<u>639,972</u>	<u>539,882</u>	<u>(559,917)</u>
Net change in fund balances	1,546,171	(2,582,983)	168,357	(868,455)
Fund balances - beginning	4,746,739	9,476,474	357,823	14,581,036
Fund balances - ending	<u>\$ 6,292,910</u>	<u>\$ 6,893,491</u>	<u>\$ 526,180</u>	<u>\$ 13,712,581</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the statement of activities
(Page 13) are different because:

Net change in fund balances - total governmental funds (Page 13) \$ (868,455)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 1,998,326	
Depreciation	318,137	
Net loss on disposals	<u>409,784</u>	
Net adjustment		1,270,405

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
Capital leases	<u>31,360</u>	
Principal payments:		
Notes payable	1,285,921	
Capital leases	72,733	
Line of credit	<u>6,581</u>	
	<u>1,365,235</u>	
Net adjustment		1,333,875

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference is as follows:

Compensated absences	(30,701)
----------------------	----------

Governmental funds report pension contributions as expenditures. However, contributions in excess of annual pension cost is reported as a net pension asset in the statement of net assets

28,729

Change in net assets of governmental activities (Page 11)

\$ 1,733,853

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2004

	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Parking</u>	<u>Stormwater</u>	
	<u>Utility</u>	<u>Revenue</u>	<u>Utility</u>	
		<u>Improvement</u>	<u>(Nonmajor</u>	
			<u>Fund)</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 698,095	\$ 798,447	\$ 162,398	\$ 1,658,940
Accounts receivable	139,234	-	-	139,234
Due from other funds	-	429	-	429
	<u>837,329</u>	<u>798,876</u>	<u>162,398</u>	<u>1,798,603</u>
Plant and equipment:				
Buildings and utility plant	2,552,374	213,600	2,722,584	5,488,558
Land	-	870,671	-	870,671
	<u>2,552,374</u>	<u>1,084,271</u>	<u>2,722,584</u>	<u>6,359,229</u>
Less accumulated depreciation	868,338	94,227	2,662,172	3,624,737
	<u>1,684,036</u>	<u>990,044</u>	<u>60,412</u>	<u>2,734,492</u>
Total assets	<u>2,521,365</u>	<u>1,788,920</u>	<u>222,810</u>	<u>4,533,095</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	49,484	489	360	50,333
Total current liabilities	<u>49,484</u>	<u>489</u>	<u>360</u>	<u>50,333</u>
Net assets:				
Invested in capital assets	1,684,036	990,044	60,412	2,734,492
Unrestricted	787,845	799,387	162,038	1,749,270
Total net assets	<u>\$2,471,881</u>	<u>\$ 1,789,431</u>	<u>\$ 222,450</u>	<u>\$4,483,762</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Enterprise Funds</u>			
	<u>Sewer Utility</u>	<u>Parking Revenue Improvement</u>	<u>Stormwater Utility (Nonmajor Fund)</u>	<u>Totals</u>
Operating revenues:				
Service revenues	\$ 1,175,712	\$ 67,206	\$ -	\$ 1,242,918
Total operating revenues	<u>1,175,712</u>	<u>67,206</u>	<u>-</u>	<u>1,242,918</u>
Operating expenses:				
Operating, administrative and maintenance	767,739	67,671	90,854	926,264
Depreciation	<u>48,707</u>	<u>15,398</u>	<u>34,832</u>	<u>98,937</u>
Total operating expenses	<u>816,446</u>	<u>83,069</u>	<u>125,686</u>	<u>1,025,201</u>
Operating income (loss)	<u>359,266</u>	<u>(15,863)</u>	<u>(125,686)</u>	<u>217,717</u>
Non-operating revenue (expense):				
Interest income	4,092	6,200	1,556	11,848
Interest expense	<u>(481)</u>	<u>-</u>	<u>-</u>	<u>(481)</u>
Total non-operating revenue (expense)	<u>3,611</u>	<u>6,200</u>	<u>1,556</u>	<u>11,367</u>
Income (loss) before transfers	362,877	(9,663)	(124,130)	229,084
Transfers in	<u>175,081</u>	<u>301,260</u>	<u>83,576</u>	<u>559,917</u>
Change in net assets	537,958	291,597	(40,554)	789,001
Net assets, beginning	<u>1,933,923</u>	<u>1,497,834</u>	<u>263,004</u>	<u>3,694,761</u>
Net assets, ending	<u>\$ 2,471,881</u>	<u>\$ 1,789,431</u>	<u>\$ 222,450</u>	<u>\$ 4,483,762</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Parking</u>	<u>Stormwater</u>	
	<u>Utility</u>	<u>Revenue</u>	<u>Utility</u>	
	<u>Utility</u>	<u>Improvement</u>	<u>(Nonmajor</u>	<u>Totals</u>
	<u>Fund)</u>	<u>Fund)</u>	<u>Fund)</u>	
Cash flows from operating activities:				
Cash received from customers	\$1,241,563	\$ 68,130	\$ -	\$1,309,693
Cash payments to suppliers	(736,700)	(20,318)	(90,494)	(847,512)
Cash payments to employees	(37,149)	(47,515)	-	(84,664)
Net cash provided by (used in) operating activities	<u>467,714</u>	<u>297</u>	<u>(90,494)</u>	<u>377,517</u>
Cash flows from noncapital financing activities:				
Operating transfers from other funds	<u>175,081</u>	<u>301,260</u>	<u>83,576</u>	<u>559,917</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(120,181)	(10,292)	-	(130,473)
Interest paid	(481)	-	-	(481)
Payments on note payable	<u>(375,134)</u>	<u>-</u>	<u>-</u>	<u>(375,134)</u>
Net cash used by capital and related financing activities	<u>(495,796)</u>	<u>(10,292)</u>	<u>-</u>	<u>(506,088)</u>
Cash flows from investing activities:				
Interest on investments	<u>4,092</u>	<u>6,200</u>	<u>1,556</u>	<u>11,848</u>
Net increase (decrease) in cash and investments	151,091	297,465	(5,362)	443,194
Cash and investments, beginning	<u>547,004</u>	<u>500,982</u>	<u>167,760</u>	<u>1,215,746</u>
Cash and investments, ending	<u>\$ 698,095</u>	<u>\$ 798,447</u>	<u>\$ 162,398</u>	<u>\$1,658,940</u>

(Continued)

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Enterprise Funds</u>			
	<u>Sewer</u>	<u>Parking</u>	<u>Stormwater</u>	
	<u>Utility</u>	<u>Revenue</u>	<u>Utility</u>	
	<u>Utility</u>	<u>Improvement</u>	<u>(Nonmajor</u>	<u>Totals</u>
			<u>Fund)</u>	
Reconciliation of operating income (loss) to				
net cash provided by (used in) operating activities:				
Operating income (loss)	<u>\$ 359,266</u>	<u>\$ (15,863)</u>	<u>\$ (125,686)</u>	<u>\$ 217,717</u>
Adjustments to reconcile operating income (loss)				
to net cash provided by (used in) operating activities:				
Depreciation	48,707	15,398	34,832	98,937
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	65,851	1,353	-	67,204
Due from other funds	-	(429)	-	(429)
Increase (decrease) in:				
Vouchers payable and accrued liabilities	<u>(6,110)</u>	<u>(162)</u>	<u>360</u>	<u>(5,912)</u>
Total adjustments	<u>108,448</u>	<u>16,160</u>	<u>35,192</u>	<u>159,800</u>
Net cash provided by (used in) operating activities	<u>\$ 467,714</u>	<u>\$ 297</u>	<u>\$ (90,494)</u>	<u>\$ 377,517</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND

SEPTEMBER 30, 2004

	Pension Trust <u>Fund</u>
<u>ASSETS</u>	
Cash held with trustee	\$ 52,660
Investments	286,099
Contributions receivable	<u>4,422</u>
Total assets	343,181
<u>LIABILITIES</u>	
Accounts payable	<u>2,694</u>
<u>NET ASSETS</u>	
Net assets held in trust for pension benefits	<u>\$ 340,487</u>

See notes to basic financial statements.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Pension Trust <u>Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 12,690
State	35,589
Volunteer Fire Department	<u>17,804</u>
Total contributions	<u>66,083</u>
Investment income :	
Net appreciation in fair value of investments	19,056
Interest	<u>129</u>
Net investment income	<u>19,185</u>
Total additions	<u>85,268</u>
DEDUCTIONS	
Pension benefits	14,714
Refunds	4,465
Administrative expenses	<u>1,450</u>
Total deductions	<u>20,629</u>
Net increase	64,639
Net assets held in trust for pension benefits:	
Beginning	<u>275,848</u>
Ending	<u>\$ 340,487</u>

See notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Lauderdale-By-The-Sea, Florida (the Town) was incorporated in 1947. The Town operates under a Commission-Manager form of government and provides the following municipal services to include but not be limited to: public safety (police and fire), parks and recreation, public works, stormwater management, and building, zoning and code enforcement. The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. This Statement provides for significant changes in financial reporting. The Town early implemented the new accounting and financial reporting requirements of GASB Statement No. 34 during the fiscal year ended September 30, 2002. The more significant of the Town's accounting policies are described below.

1. Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Town, organizations for which the Town is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town. A blended component unit, although a legally separate entity, is, in substance, part of the Town's operations and so data from this unit is combined with data of the Town. Based upon the application of these criteria, there was one organization that met the criteria described above.

Blended component unit - the Volunteer Fire Department, created by ordinance in 1962, serves all the citizens of the Town. The Town Commission is the governing body of the Volunteer Fire Department. It approves and funds the operating budget of the Fire Department, and the Town is therefore financially accountable for the Department. The Volunteer Fire Department is reported as a special revenue fund.

TOWN OF LAUDERDALE-BY-THA-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Taxes, intergovernmental revenues, and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and fees become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town reports the following major governmental funds:

The *General fund* is the Town's primary operating fund. It accounts for all or most of the Town's general activities except those required to be accounted for in another fund.

The *Capital Projects fund* is used to account for the acquisition and construction of major capital facilities.

The Town reports the following nonmajor governmental funds:

The *Volunteer Fire Department fund* is a blended component unit, accounted for as a special revenue fund. It accounts for the revenues and expenditures of the Volunteer Fire Department.

The *Police Training and Forfeiture fund* is used to account for the portion of traffic citation revenue dedicated to police training, the confiscation of property and the related authorized law enforcement expenditures.

The Town reports the following major proprietary funds:

The *Sewer Utility Fund* accounts for the activities associated with providing sewer services within the Town.

The *Parking Revenue Improvement Fund* accounts for parking meter revenue in the Town's business district.

The Town reports the following nonmajor proprietary fund:

The *Stormwater Utility Fund* accounts for the activities associated with providing stormwater services within the Town. Although this fund is presented in the basic financial statements, it is not presented as or reported on as a major fund.

Additionally, the Town reports the following fund type:

The *Pension Trust Fund* accounts for the activities of the Volunteer Fire Department's Pension Plan and the accumulation of resources for pension benefits.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Capital Assets

Capital assets, which include property, plant and equipment, and all infrastructure assets acquired prior to implementation of GASB No. 34 (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Capital Assets (Continued)

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Utility plant	25-75
Infrastructure	50
Improvements other than buildings	25
Furniture, fixtures, machinery and equipment	5-10
Motor vehicles	5-7

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance to indicate that a portion of fund balance is not available for appropriation or is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Designated fund balance indicates that a portion of fund equity has been segregated based on tentative plans of the Town. Such plans or intent are subject to change.

Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

6. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations, and useful lives and impairment of tangible and intangible assets, among others. Actual results could differ from these estimates.

7. Deposits and Investments

Town administration is authorized to invest in those instruments authorized by the Florida statutes.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Deposits and Investments (Continued)

Investments are reported at fair value. In accordance with the Town's investment policy, investments consist of funds maintained with the State Board of Administration Investment Pool, and are reported at the fair value of its position in the Pool which is the same as its value of the Pool shares. Income from investments is recorded as earned.

8. Compensated Absences

Town employees are granted vacation in varying amounts based on length of service and sick leave at the rate of one day per month. Up to 30 days of vacation time and 60 days of sick leave may be accrued and carried forward into the next year. In the event of termination, an employee is reimbursed for accumulated vacation days. Employees are reimbursed for 25 percent of accumulated sick leave upon leaving Town employment in good standing.

The cost of accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee retirements or resignations. The general fund has been used to liquidate these amounts.

9. Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types of the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

10. Property Taxes

Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1.

Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Town for the year ended September 30, 2004 was 4.700 mills.

The tax levy of the Town is established by the Commission prior to October 1 of each year, and the County Property Appraiser incorporates the millage into the local tax levy, which includes Broward County, Broward County School Board and special taxing districts.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Property Taxes (Continued)

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1 each year. Broward County mails to each property owner on the assessment roll a notice of the taxes due and Broward County also collects the taxes for the Town. Taxes may be paid upon receipt of such notice from Broward County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2004.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Investments

The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

At year end, the Town's investment balances were not subject to categorization and were as follows:

Investments not subject to risk categorization:

State Board of Administration Investment Pool	<u>\$3,541,056</u>
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A reconciliation of deposits and investments as shown on the statement of net assets and fiduciary net assets for the Town is as follows:

By category:

Deposits	\$11,735,945
Investments	<u>3,827,155</u>
	<u>\$15,563,100</u>

Statement of net assets:

Cash	\$11,683,285
Investments	<u>3,541,056</u>
	<u>15,224,341</u>

Statement of fiduciary net assets:

Cash held with Trustee	52,660
Investments	<u>286,099</u>
	<u>\$15,563,100</u>

NOTE 3. RECEIVABLES

Receivables as of September 30, 2004 for the Town's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Non-Major</u>	<u>Total</u>
Receivables:				
Billed	\$ -	\$ 139,234	\$ -	\$ 139,234
Utility Tax	12,301	-	-	12,301
Intergovernmental	285,367	-	-	285,367
Other	<u>-</u>	<u>-</u>	<u>19,872</u>	<u>19,872</u>
Gross receivables	297,668	139,234	19,872	456,774
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 297,668</u>	<u>\$ 139,234</u>	<u>\$ 19,872</u>	<u>\$ 456,774</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. RECEIVABLES (Continued)

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds was as follows:

Occupational licenses	<u>\$ 34,125</u>
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NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 944,159	\$ -	\$ -	\$ 944,159
Construction in process	<u>1,522,990</u>	<u>1,793,442</u>	<u>(1,009,270)</u>	<u>2,307,162</u>
Total capital assets not being depreciated	<u>2,467,149</u>	<u>1,793,442</u>	<u>(1,009,270)</u>	<u>3,251,321</u>
Capital assets being depreciated:				
Buildings	2,197,923	98,551	-	2,296,474
Improvements other than buildings	2,122,422	1,103,782	(119,899)	3,106,305
Furniture, fixtures, machinery and equipment	944,257	301,224	(683,065)	562,416
Motor vehicles	861,541	23,593	(512,020)	373,114
Infrastructure	<u>4,882,826</u>	<u>233,195</u>	<u>-</u>	<u>5,116,021</u>
Total capital assets being depreciated	<u>11,008,969</u>	<u>1,760,345</u>	<u>(1,314,984)</u>	<u>11,454,330</u>
Less accumulated depreciation for:				
Buildings	643,315	22,712	-	666,027
Improvements other than buildings	214,754	119,311	-	334,065
Furniture, fixtures, machinery and equipment	186,014	37,416	-	223,430
Motor vehicles	618,548	41,450	(359,009)	300,989
Infrastructure	<u>3,422,239</u>	<u>97,248</u>	<u>-</u>	<u>3,519,487</u>
Total accumulated depreciation	<u>5,084,870</u>	<u>318,137</u>	<u>(359,009)</u>	<u>5,043,998</u>
Total capital assets being depreciated, net	<u>5,924,099</u>	<u>1,442,208</u>	<u>(955,975)</u>	<u>6,410,332</u>
Governmental activities capital assets, net	<u>\$ 8,391,248</u>	<u>\$ 3,235,650</u>	<u>\$ (1,965,245)</u>	<u>\$ 9,661,653</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. CAPITAL ASSETS (Continued).

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 870,671	\$ -	\$ -	\$ 870,671
Construction in progress	<u>10,371</u>	<u>-</u>	<u>(10,371)</u>	<u>-</u>
Total capital assets not being depreciated	<u>881,042</u>	<u>-</u>	<u>(10,371)</u>	<u>870,671</u>
Capital assets being depreciated:				
Buildings and utility plant	<u>5,347,917</u>	<u>140,842</u>	<u>(200)</u>	<u>5,488,559</u>
Total capital assets being depreciated	<u>5,347,917</u>	<u>140,842</u>	<u>(200)</u>	<u>5,488,559</u>
Less accumulated depreciation for:				
Buildings and utility plant	<u>3,525,801</u>	<u>98,937</u>	<u>-</u>	<u>3,624,738</u>
Total capital assets being depreciated, net	<u>1,822,116</u>	<u>41,905</u>	<u>(200)</u>	<u>1,863,821</u>
Business-type activities capital assets, net	<u>\$2,703,158</u>	<u>\$ 41,905</u>	<u>\$ (10,571)</u>	<u>\$2,734,492</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:

General government	\$ 62,597
Public safety	8,990
Recreation	66,667
Roads and streets	144,803
Physical environment	<u>35,080</u>
Total depreciation expenses - governmental activities	<u>\$318,137</u>

Business-type activities:

Sewer utility	\$ 48,707
Parking revenue improvement	15,398
Stormwater utility	<u>34,832</u>
	<u>\$ 98,937</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. INTERFUND TRANSFERS

Interfund transfers:

The composition of interfund transfers as of September 30, 2004 is as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Transfer Purpose</u>
General fund	Capital projects	\$ 639,972	Fund Operations
General fund	Sewer	175,081	Debt Service
General fund	Parking revenue	301,260	Capital Improvements
General fund	Stormwater	83,576	Renewal and Replacement
General fund	Volunteer Fire Department	539,882	Operating Expenditures
		<u>\$1,739,771</u>	

NOTE 6. LONG-TERM DEBT

Changes in long-term liabilities for the fiscal year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities</u>					
Capital lease obligations	\$ 103,189	\$ 31,360	\$ (72,733)	\$ 61,816	\$ 45,404
Promissory note	8,282,028	-	(887,088)	7,394,940	925,843
Promissory note	1,155,094	-	(130,631)	1,024,463	133,839
Promissory note	1,333,964	-	(268,202)	1,065,762	274,784
Line of credit	48,381	-	(6,581)	41,800	6,783
Accrued vacation and sick leave	109,706	48,682	-	158,388	17,981
	<u>\$ 11,032,362</u>	<u>\$ 80,042</u>	<u>\$ (1,365,235)</u>	<u>\$ 9,747,169</u>	<u>\$ 1,404,634</u>
<u>Business-type activities</u>					
Promissory note	<u>\$ 375,134</u>	<u>\$ -</u>	<u>\$ (375,134)</u>	<u>\$ -</u>	<u>\$ -</u>

Promissory Notes

In June 2000, the Town borrowed \$900,000 at 5.7% interest rate compounded quarterly from SunTrust Bank. In March 2003, this note was paid and refinanced for \$699,852 at 4.999% interest rate compounded quarterly from SunTrust Bank. This note matures on June 28, 2010. The Town obtained the funding for improvement and rehabilitation of the Town's sewer lift system as authorized by the Town Commission. This note was paid in February 2004.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Promissory Notes (Continued)

In September 2001, the Town borrowed \$10,000,000 at a 4.629% interest rate from SunTrust Bank. This debt was restructured in order to obtain lower interest rates and to obtain additional funding for future capital expenditures authorized by the Town Commission. In March 2003, the Town borrowed \$8,775,833 at 4.299% interest rate compounded quarterly from SunTrust Bank. In May 2003, the Town borrowed \$1,224,167 at 2.933% interest rate compounded quarterly from SunTrust Bank. These notes mature on June 28, 2011. In May 2003, the Town borrowed \$1,400,000 at 2.4367% interest rate compounded quarterly from SunTrust Bank. The Town obtained the funding from the acquisition of building as authorized by the Town Commission. The note matures on May 28, 2008.

In May 2003, the Town established a \$3,000,000 line of credit of which \$50,000 was drawn down from SunTrust Bank at 2.871% interest rate compounded quarterly from SunTrust Bank. The line of credit was established to facilitate the acquisition of property within the Town. The note matures on May 31, 2010.

Debt service to maturity is as follows:

		<u>\$8,775,833 Note</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:				
2005		\$ 925,843	\$ 303,116	\$ 1,228,959
2006		966,292	262,667	1,228,959
2007		1,008,507	220,452	1,228,959
2008		1,052,567	176,392	1,228,959
2009		1,098,551	130,408	1,228,959
2010-2012		<u>2,343,180</u>	<u>114,738</u>	<u>2,457,918</u>
Total		<u>\$7,394,940</u>	<u>\$1,207,773</u>	<u>\$8,602,713</u>

		<u>\$1,224,167 Note</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:				
2005		\$ 133,839	\$ 25,584	\$ 159,423
2006		137,808	24,616	162,424
2007		141,894	20,529	162,423
2008		146,102	16,321	162,423
2009		148,787	13,636	162,423
2010-2011		<u>316,033</u>	<u>8,825</u>	<u>324,858</u>
Total		<u>\$1,024,463</u>	<u>\$ 109,511</u>	<u>\$1,133,974</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Promissory Notes (Continued)

\$1,400,000 Note			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 274,784	\$ 23,465	\$ 298,249
2006	281,539	16,710	298,249
2007	288,460	9,788	298,248
2008	220,979	2,697	223,676
Total	<u>\$1,065,762</u>	<u>\$ 52,660</u>	<u>\$1,118,422</u>

\$50,000 Line of Credit			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 6,783	\$ 1,127	\$ 7,910
2006	6,980	930	7,910
2007	7,182	728	7,910
2008	7,391	519	7,910
2009	7,605	305	7,910
2010	5,859	84	5,943
Total	<u>\$ 41,800</u>	<u>\$ 3,693</u>	<u>\$ 45,493</u>

Capital Leases

Capital leases outstanding as of September 30, 2004 consist of motor vehicles. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments.

The future minimum lease payments are as follows:

Fiscal year ending September 30:	
2005	\$ 45,404
2006	13,928
2007	2,484
Total minimum lease payments	61,816
Less amount representing interest	4,248
Present value of minimum lease payments	<u>\$ 57,568</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES

Operating Lease

In January 2000, the Town entered into a non-cancelable operating lease for a copier, which expires in January 2005. Future minimum lease payments as of September 30, 2004 are as follows:

Fiscal year ending September 30:
2005

\$ 828

Interlocal Agreement

The Town entered into an interlocal agreement with Broward County and the Broward Sheriff's Office on June 22, 2004 with an effective date of October 1, 2004 for emergency medical services within the municipal services benefit unit as well as fire protection services in the Town. The agreement is for a five (5) year period and can be renewed for an additional four periods of five (5) years each, for a total of twenty-five (25) years, without further action of the parties, unless terminated by either party as provided in the agreement.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 8. FLORIDA RETIREMENT SYSTEM

Plan Description

The Town participates in the Florida Retirement System (FRS), a cost-sharing multiple employer Public Employee Retirement System (PERS). The FRS issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. Copies of the FRS's annual report for the year ended June 30, 2003 may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560. Payroll for Town employees covered by the System for the year ended September 30, 2004 was approximately \$1,400,000.

All full-time Town employees are eligible to participate in the System. Normal retirement is at 6 years of credited service and age 62 or at 30 years of credited service regardless of age for regular members.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. FLORIDA RETIREMENT SYSTEM (Continued)

Plan Description (Continued)

Benefits vest after six years of credited service. Early retirement may be taken any time after vesting; however, there is a five percent benefit reduction for each year prior to normal retirement age or date. The System also provides disability and survivor benefits. Benefits are established by State statute.

Funding Policy

Employees cannot contribute to the System. The Town is required to contribute a certain percentage of employee compensation per year. The following are the required contributions and the percentage contributed by the Town for the current year and the preceding two years:

	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
Fiscal year ending September 30:			
2002	\$ 76,494	\$ 76,494	100%
2003	80,623	80,623	100%
2004	114,288	114,288	100%

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND

Basis of Accounting

The Volunteer Firefighters Pension Plan (the Plan) financial statements are prepared on the accrual basis of accounting. All contributions are recognized in the period the services are performed.

Investments

Investments, which consist of certificates of deposit, are carried at fair value (which is cost) and are classified as deposits for purposes of risk categorization. Interest is recognized when earned. Purchases and sales are recorded on a trade-date basis.

Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by an investment advisor.

Plan Description

The Volunteer Firefighters Pension Plan is a single-employer Public Employee Retirement System (PERS) defined benefit pension plan. Volunteer firefighters do not receive salaries but receive incentive pay based on calls to which they respond. Participants should refer to the Plan documents for more complete information. A publicly available financial statement for the Plan can be obtained from the Board of Trustees, 255 Commercial Boulevard, Suite 200, Lauderdale-By-The-Sea, Florida.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Plan Description (Continued)

As of October 1, 2002, the date of the latest actuarial valuation, firefighters' membership data related to the Plan as stated in the actuarial valuation was as follows:

Retirees and beneficiaries currently receiving benefits and former volunteers entitled to receive benefits but not yet receiving them	<u>9</u>
Current volunteers:	
Fully vested	-
Non-vested	<u>39</u>
	<u>39</u>

All volunteer firefighters of the Town are eligible for membership in the Plan; eligibility is determined by a point system whereby a firefighter must accumulate 30 points during a Plan year to be credited for one year of service. Points are accumulated by attendance at meetings, drills, fires and false alarms. Normal retirement is at age 55 and 10 years of credited service. The benefit is \$10 per month for each year of credited service payable in a life annuity, with other options available. Disability benefits are available for total and permanent disability payable at \$10 per month for each year of credited service. Death benefits are available under the same terms as normal retirement benefits.

Funding Policy

Firefighters are not required to contribute to the Plan but may voluntarily do so. Contributions from the State of Florida are based on the amount of fire insurance premiums written by private insurers on property within Town limits. The Town is required to contribute if there is any shortfall between the State's contributions and funding requirements of the Plan.

Funding is based on actuarial determined required contributions using the frozen entry age actuarial cost method under which the excess of actuarial present value of projected benefits of the group over the actuarial value of assets is allocated over the service of the group, not as a sum of individual allocations. Annual required contribution as determined by the actuarial valuation was \$24,664; based on estimated State contributions of \$16,735, contributions by the Town of \$7,929 would be required. The State contributions were initially deposited in the general fund and then transferred to the pension fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. VOLUNTEER FIREFIGHTERS PENSION FUND (Continued)

Annual Pension Cost and Net Pension Asset

The annual pension cost and net pension asset as of the latest actuarial valuation is as follows:

Annual required contribution	\$ 24,664
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	24,664
Contributions made	<u>53,393</u>
Increase in net pension asset	28,729
Net pension asset, beginning of year	<u>56,204</u>
Net pension asset, end of year	<u>\$ 84,933</u>

The annual required contribution for 2004 was determined as part of the most recent actuarial report dated October 1, 2003, using the frozen entry age actuarial cost method. The actuarial assumptions included a 7% investment rate of return net of administrative expenses and an inflation component of 4%.

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
9/30/2001	\$ 13,079	362.2%	\$ 17,747
9/30/2002	29,628	100.0%	56,204
9/30/2003	24,664	216.5%	84,933

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from coverages in the prior year. The Town provides employee medical benefits through commercial insurance coverage. Settlements during the previous three years did not exceed insurance coverage.

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**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Property taxes	\$ 7,730,073	\$ 7,730,073	\$ 7,833,400	\$ 103,327
Franchise fees and utility taxes	1,324,103	1,324,103	1,324,511	408
Intergovernmental	968,467	968,467	1,008,571	40,104
Fines and forfeitures	490,638	490,638	541,328	50,690
Charges for services	674,783	674,783	696,934	22,151
Interest and other	240,428	240,428	307,772	67,344
Licenses and permits	60,983	60,983	80,573	19,590
Grants	63,402	63,402	109,285	45,883
Miscellaneous revenues	-	-	177	177
Total revenues	<u>11,552,877</u>	<u>11,552,877</u>	<u>11,902,551</u>	<u>349,674</u>
Expenditures:				
Current:				
General government	2,170,941	2,138,633	1,528,070	610,563
Public safety	5,310,665	5,308,823	5,198,026	110,797
Roads and streets	1,526,437	1,541,926	1,131,320	410,606
Recreation	319,229	312,162	300,690	11,472
Physical environment	144,266	117,200	103,193	14,007
Capital outlay	65,700	87,993	49,150	38,843
Debt service	306,160	306,160	306,160	-
Total expenditures	<u>9,843,398</u>	<u>9,812,897</u>	<u>8,616,609</u>	<u>1,196,288</u>
Other financing uses:				
Transfers out	<u>(1,199,889)</u>	<u>(1,199,889)</u>	<u>(1,739,771)</u>	<u>(539,882)</u>
Total other financing uses	<u>(1,199,889)</u>	<u>(1,199,889)</u>	<u>(1,739,771)</u>	<u>(539,882)</u>
Net change in fund balances	<u>\$ 509,590</u>	<u>\$ 540,091</u>	<u>\$ 1,546,171</u>	<u>\$ 1,006,080</u>

See notes to budgetary comparison schedule.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual appropriated budgets are adopted for the General Fund and the Police Training and Forfeiture Fund (special revenue fund) on a basis consistent with accounting principles generally accepted in the United States except for debt service expenditures and compensated absences.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Town Manager submits to the Commission a proposed operating and capital budget for the ensuing fiscal year. The budget includes proposed expenditures and the means of financing them.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Town Commission, by motion, may make supplemental appropriations for the year. There were no supplemental appropriations for the year ended September 30, 2004.
- (e) Formal budgetary integration is employed as a management control device during the year for the general fund.
- (f) The Town Manager is authorized to transfer part or all of an unencumbered appropriation balance within a fund; however, any revisions that alter the total appropriations of any fund must be approved by the Town Commission. The classification detail at which expenditures may not legally exceed appropriations is at the fund level.
- (g) Unencumbered appropriations lapse at fiscal year end. Unencumbered amounts are reappropriated in the following year's budget.
- (h) Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Fiscal Year	Annual Required Contributions	Employer Contributions	State/County Contributions	Percentage Contributed
1999	\$ 11,630	\$ 2,871	\$ 14,916	152.9%
2000	11,794	3,417	5,730	77.6%
2001	-	6,163	38,973	632.0%
2002	11,794	6,494	30,871	316.8%
2003	28,343	11,608	30,871	149.9%
2004	24,664	17,804	55,589	216.5%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/1/03
Actuarial cost method	Frozen Entry Age Method
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	7% compounded annually
Projected salary increases	N/A - No salaries paid
Cost of living adjustments	None

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2004

RETIREMENT PLAN FOR VOLUNTEER FIREFIGHTERS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL - Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a) / (b)
10/1/1995	\$ 154,992	\$ 135,147	\$ (19,845)	114.7%
10/1/1997	181,337	160,453	(20,884)	113.0%
10/1/1999	227,535	189,763	(37,772)	119.9%
10/1/2002	179,222	231,741	52,519	77.3%
10/1/2003	230,470	257,129	26,659	89.6%

Note: Volunteer firefighters - no covered payroll

**COMBINING, INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GOVERNMENTAL FUND TYPES

GENERAL FUND

The General Fund is the principal operating fund of the Town and is used to account for resources traditionally associated with governments which are not required legally or by sound financial management to be accounted for in another fund.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL FUND COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2004
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2003)

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash and investments	\$ 6,162,124	\$ 4,375,860
Receivables	<u>297,668</u>	<u>615,910</u>
Total assets	<u>\$ 6,459,792</u>	<u>\$ 4,991,770</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Vouchers payable and accrued liabilities	\$ 129,675	\$ 213,369
Due to other funds	429	-
Deferred revenue	34,125	27,868
Deposits	<u>2,653</u>	<u>3,794</u>
Total liabilities	<u>166,882</u>	<u>245,031</u>
Fund balance:		
Unreserved:		
Designated for:		
Emergencies	2,024,087	1,818,041
Capital assets	169,414	252,366
Undesignated	<u>4,099,409</u>	<u>2,676,332</u>
Total fund balance	<u>6,292,910</u>	<u>4,746,739</u>
Total liabilities and fund balance	<u>\$ 6,459,792</u>	<u>\$ 4,991,770</u>

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Volunteer Fire Department Fund - This fund, which is a blended component unit, accounts for the revenues and expenditures of the Volunteer Fire Department.

Police Training and Forfeiture Fund - This fund accounts for:

- a portion of traffic citation revenue dedicated to police training and
- the confiscation of property and the related authorized law enforcement expenditures

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

	<u>Special Revenue</u>		
	<u>Volunteer</u>	<u>Police</u>	<u>Total</u>
	<u>Fire</u>	<u>Training</u>	<u>Nonmajor</u>
	<u>Department</u>	<u>and</u>	<u>Governmental</u>
		<u>Forfeiture</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 137,047	\$ 369,261	\$ 506,308
Receivables	19,872	-	19,872
Total assets	<u>\$ 156,919</u>	<u>\$ 369,261</u>	<u>\$ 526,180</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ -	\$ -	\$ -
Fund balances:			
Designated for police	-	369,261	369,261
Designated for fire	156,919	-	156,919
Total fund balances	<u>156,919</u>	<u>369,261</u>	<u>526,180</u>
Total liabilities and fund balances	<u>\$ 156,919</u>	<u>\$ 369,261</u>	<u>\$ 526,180</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Special Revenue</u>		
	Volunteer	Police	Total
	Fire	Training	Nonmajor
	<u>Department</u>	<u>and Forfeiture</u>	<u>Governmental Funds</u>
Revenues:			
Intergovernmental	\$ 228,250	\$ -	\$ 228,250
Grants and contributions	176,381	-	176,381
Fines and forfeitures	-	43,599	43,599
Interest	-	3,334	3,334
Miscellaneous	<u>5,377</u>	<u>-</u>	<u>5,377</u>
Total revenues	<u>410,008</u>	<u>46,933</u>	<u>456,941</u>
Expenditures:			
Current:			
Public safety	<u>826,966</u>	<u>1,500</u>	<u>828,466</u>
Excess (deficiency) of revenues over expenditures	(416,958)	45,433	(371,525)
Other financing sources:			
Transfers in	<u>539,882</u>	<u>-</u>	<u>539,882</u>
Excess of revenues and other financing sources over expenditures	122,924	45,433	168,357
Fund balances, beginning	<u>33,995</u>	<u>323,828</u>	<u>357,823</u>
Fund balances, ending	<u>\$ 156,919</u>	<u>\$ 369,261</u>	<u>\$ 526,180</u>

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUND

POLICE TRAINING AND FORFEITURE

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Forfeitures and citations	\$ 3,635	\$ 3,635	\$ 46,933	\$ 43,298
Total revenues	<u>3,635</u>	<u>3,635</u>	<u>46,933</u>	<u>43,298</u>
Expenditures:				
Current:				
Public safety	1,500	1,500	1,500	-
Capital outlay	<u>3,730</u>	<u>3,730</u>	<u>-</u>	<u>3,730</u>
Total expenditures	<u>5,230</u>	<u>5,230</u>	<u>1,500</u>	<u>3,730</u>
Other sources:				
Appropriated fund balance	<u>1,595</u>	<u>1,595</u>	<u>-</u>	<u>1,595</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,433</u>	<u>\$ 48,623</u>

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STATISTICAL SECTION

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

STATISTICS DEMOGRAPHICS

SEPTEMBER 30, 2004

Date of Incorporation:	November 30, 1947	
Year of Charter Adoption:	1947	
Form of Town Government:	Commission-Manager	
Location:	Lauderdale-By-The-Sea is in the east-central part of Broward County and shares boundaries with three other municipalities. Its eastern boundary is the Atlantic Ocean. It is 30 miles north of Miami and 33 miles south of Palm Beach. The Town is just over 8.5 square miles in area and has a population of 6,300 with a peak seasonable population of 9,800. It is a seaside community with primary industries being retail trade, tourism/hospitality, finance, insurance and real estate.	
Number of Employees:	Full and Part-Time, Permanent Contractual	136.5
Recreation facilities:	Miles of Public Beach	2.3
	Miles of Navigable Water	2.3
	Parks	1
	Tennis Courts	2
	Shuffleboard Courts	2
	Bocci Ball Court	1
	Basketball Court	1
Infrastructure:	Town Buildings	6
	Fire Stations	2
	Fire Rescue Stations	2
	Surface Parking Lot	1
Socio-Economic Data:	Consumer Price Index (5)	2.4%
	Median Household Income	\$41,691
	Per Capital Income	\$23,170
Population Statistics:	Civilian Labor Force (1)	886.86
	Unemployment Rate (2)	4.7%

Source: U.S. Census - Broward County (2000)

Bureau of Labor Statistics - Broward County (2004)

(1) Number of Persons, in thousands, not seasonally adjusted.

(2) In Percent, not seasonally adjusted.

(5) Urban Wage Earners and Clerical Workers,

base: 1982 - 84 = 100, not seasonally adjusted.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Roads and Streets</u>	<u>Recreation</u>	<u>Physical Environment</u>	<u>Interest on Long-Term Debt</u>	<u>Sewer</u>	<u>Storm-water</u>	<u>Parking Revenue Improvement</u>	<u>Total</u>
2002	\$1,280,215	\$3,118,446	\$831,148	\$216,885	\$81,886	\$464,295	\$909,617	\$104,721	\$34,904	\$7,042,117
2003	1,624,691	3,506,295	868,121	277,542	107,469	429,724	1,012,239	66,182	146,512	8,038,775
2004	1,913,685	6,081,784	1,276,123	367,357	138,273	406,104	816,927	125,686	83,069	11,209,008

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (1)

Fiscal Year	Program Revenues			General Revenues					<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes and Fire Assessment Fees</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Inter- governmental</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	
2002	\$ 2,159,220	\$ 41,638	\$ 207,160	\$ 4,814,157	\$ 1,278,311	\$ 732,080	\$ 401,980	-	\$ 9,634,546
2003	2,316,689	530,154	74,904	5,531,092	1,298,731	1,320,181	690,604	209,967	11,972,322
2004	3,144,787	264,805	61,129	7,833,400	1,324,511	697,386	182,577	223,267	13,731,862

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Physical Environment	Economic Environment	Roads			Debt Service	Capital Outlay	Total
					Streets	Parks and Recreation				
1995	\$ 772,945	\$ 1,258,906	\$ 862,023	\$ -	\$ 373,226	\$ 39,134	\$ 96,961	\$ 451,338	\$ 3,854,533	
1996	868,678	1,147,334	566,157	-	401,704	37,434	93,232	233,171	3,347,710	
1997	699,432	1,266,304	532,746	-	447,640	47,120	94,185	231,734	3,319,161	
1998	725,422	1,334,912	762,331	-	533,218	60,225	-	349,265	3,765,373	
1999	802,030	1,525,215	839,574	-	608,384	98,259	-	538,306	4,411,768	
2000	1,038,626	1,599,358	858,258	-	639,828	204,850	29,520	119,921	4,490,361	
2001	1,139,701	1,870,874	55,664	1,688	628,133	235,500	39,360	138,097	4,109,017	
2002	1,219,149	3,049,746	69,301	-	802,256	210,875	1,294,246	1,471,042	8,116,615	
2003	1,461,860	3,398,569	107,469	-	868,121	277,542	1,591,378	3,444,555	11,149,494	
2004	1,528,070	6,026,492	103,193	-	1,131,320	300,690	1,697,543	1,998,326	12,785,634	

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

Fiscal Year	Property Taxes and Fire Assessment Fees	Franchise Fees and Utility Taxes	Parking Meters	Licenses and Permits	Inter-Gov't	Charges Services	Fines and Forfeitures	Grants	Interest and Other	Total
1995	\$1,268,970	\$ 616,658	\$ -	\$ 71,247	\$ 269,564	\$ 452,788	\$ 209,348	\$ 24,457	\$ 438,396	\$ 3,351,428
1996	1,288,589	638,043	373,383	85,336	272,129	473,953	276,909	-	96,459	3,504,801
1997	1,278,107	674,732	408,338	61,419	284,623	481,900	283,252	53,972	122,720	3,649,063
1998	1,576,735	819,166	426,393	63,741	288,622	547,090	401,327	-	201,875	4,324,949
1999	1,649,463	886,470	529,239	61,444	328,092	571,127	468,163	30,813	182,949	4,707,760
2000	1,761,322	954,994	491,304	55,897	374,416	643,183	470,803	8,004	343,709	5,103,632
2001	1,940,633	1,002,015	522,205	95,132	380,643	31,937	452,617	21,506	319,334	4,766,022
2002	4,814,157	1,278,311	-	66,369	732,080	559,787	599,220	41,638	382,058	8,473,620
2003	5,531,092	1,298,731	-	67,035	1,326,982	558,188	522,436	558,331	767,203	10,629,998
2004	7,833,400	1,324,511	-	80,573	1,236,821	696,934	584,927	325,481	394,449	12,477,096

(1) Governmental Fund Types: General, Special Revenue and Capital Projects.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections (2)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Total Tax</u>
1995	\$1,297,908	\$1,251,539	96.4%	\$ 13,005	\$1,264,544	97.4%
1996	1,325,336	1,274,670	96.2%	8,936	1,283,606	96.9%
1997	1,313,213	1,265,524	96.4%	4,138	1,269,662	96.7%
1998	1,624,589	1,565,486	96.4%	3,041	1,568,527	96.5%
1999	1,695,686	1,636,320	96.5%	3,614	1,639,934	96.7%
2000	1,815,592	1,753,186	96.6%	2,854	1,756,040	96.7%
2001	2,000,611	1,932,547	96.6%	2,234	1,934,781	96.7%
2002	4,688,957	4,533,059	96.7%	1,227	4,534,286	96.7%
2003	5,359,896	5,177,975	96.6%	1,304	5,179,279	96.6%
2004	5,927,500	5,725,966	96.6%	(86)	5,725,880	96.6%

Source: Broward County, Florida, Property Appraiser

(1) Net of certified adjustments

(2) Florida Law allows up to 4 % discount for timely payment of property taxes

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

TAXABLE PROPERTY VALUES

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Exemptions</u>		<u>Net Taxable Value</u>
			<u>Real</u>	<u>Personal</u>	
1995	\$ 272,655,110	\$ 16,085,105	\$ 22,385,730	\$ 2,900	\$ 266,351,585
1996	278,250,640	15,278,403	23,720,380	13,700	269,794,963
1997	281,769,560	13,920,490	24,143,140	13,604	271,533,306
1998	439,918,640	14,423,656	31,013,910	13,604	423,314,782
1999	461,691,590	15,084,338	35,249,530	13,514	441,512,884
2000	497,729,400	15,279,811	40,565,170	13,514	472,430,527
2001	560,251,790	12,958,060	46,356,830	13,434	526,839,586
2002	1,162,796,770	13,701,721	62,867,630	2,634	1,113,628,227
2003	1,333,494,270	14,684,976	67,100,270	2,634	1,281,076,342
2004	1,504,774,160	16,453,097	72,512,650	2,634	1,448,711,973

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY TAX RATES (PER \$1,000)
DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Lauderdale By-The-Sea</u>	<u>Broward County</u>	<u>State Special Districts</u>					<u>Total</u>
			<u>Broward County Schools</u>	<u>Florida Inland Navigation</u>	<u>South Florida Water Management</u>	<u>North Broward Hospital</u>	<u>Hillsboro Inlet</u>	
1995	4.9043	8.0343	10.0259	0.0490	0.5970	2.4459	0.1163	26.1727
1996	4.9043	8.1165	10.0366	0.0400	0.6470	2.4327	0.1142	26.2913
1997	4.8500	7.7524	9.9400	0.0380	0.6720	2.4200	0.1112	25.7836
1998	3.8500	7.8380	9.9745	0.0500	0.6970	2.4087	0.1071	24.9253
1999	3.8500	7.5710	9.7256	0.0470	0.6970	2.5000	0.1021	24.4927
2000	3.8500	7.5270	8.9553	0.0410	0.6970	2.4803	0.1036	23.6542
2001	3.8500	7.5250	8.5410	0.0410	0.6970	2.4803	0.1036	23.2379
2002	4.7000	7.3650	8.8825	0.0385	0.6970	2.4803	0.1170	24.2803
2003	4.7000	7.1880	8.4176	0.0385	0.6970	2.5000	0.2490	23.7901
2004	4.7000	7.0230	8.2695	0.0385	0.6970	2.4803	0.1845	23.3928

Source: Broward County, Florida, Property Appraiser

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

<u>Name</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Valuation</u>
TRG Acquazul LTD	Condominium	\$ 9,842,190	7.68%
T F V Properties LTD	Hotel	8,398,040	6.56%
Chateau De Mer LLC	Condominium	7,126,360	5.56%
Pier Point Developers LLC	Condominium	6,862,530	5.36%
Ruttger Family Partners	Hotel	6,710,720	5.24%
Edmondson, James P.	Hotel	4,837,760	3.77%
Cristelle Cay Dev. Co. LLC	Condominium	3,315,750	2.59%
4331 West Tradewinds LLC	Townhomes	3,094,510	2.41%
Village By The Sea Dev. LLC	Vacant Land	2,680,940	2.09%
White Cap of Florida, Inc.	Mall	<u>2,368,700</u>	<u>1.85%</u>
		<u>\$55,237,500</u>	<u>43.11%</u>

Source: Tax Roll of Broward County, Florida

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

PROPERTY VALUES AND CONSTRUCTION VALUES LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction</u>	
		<u>Residential Values</u>	<u>Commercial Values</u>
1995	\$ 266,351,585	\$ 941,198	\$ 1,146,693
1996	269,794,963	757,081	1,069,685
1997	271,533,306	2,809,520	308,804
1998	423,314,782	1,268,273	484,612
1999	441,512,884	1,045,327	604,714
2000	472,430,527	2,220,208	430,700
2001	526,839,586	1,324,333	228,867
2002	994,182,340	2,638,367	1,767,578
2003	1,137,417,925	34,395,973	4,515,593
2004	1,259,147,591	31,375,857	5,529,443

Source: Broward County Property Appraiser

Source: Broward County Building Department

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN YEARS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt</u>
1995	\$ 85,000	\$ 11,961	\$ 96,961	\$ 3,854,533	2.50%
1996	85,000	8,232	93,232	3,347,710	2.80%
1997	90,000	4,185	94,185	3,319,161	2.80%
1998	-	-	-	3,765,373	0.00%
1999	-	-	-	4,411,768	0.00%
2000	16,950	12,570	29,520	4,490,361	0.70%
2001	67,803	50,275	118,078	4,857,148	2.40%
2002	829,951	464,295	1,294,246	8,116,615	15.90%
2003	1,161,654	429,724	1,591,378	11,149,494	14.30%
2004	1,291,439	406,104	1,697,543	12,785,634	13.30%

(1) No general obligation debt 1998 - 2002. Promissory note obligation 1999-2002.

(2) Included general, special, and capital projects funds.

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COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the basic financial statements of the Town of Lauderdale-By-The-Sea, Florida, (the Town) as of and for the year ended September 30, 2004, and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying schedule of findings.

This report is intended solely for the information and use of the Mayor, Town Commission, management, and applicable state agencies and is not intended to be and should not be used by anyone other than those specified parties.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
December 10, 2004

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida

We have audited the basic financial statements of the Town of Lauderdale-By-The-Sea, Florida (the Town) as of and for the year ended September 30, 2004, and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report of Independent Certified Public Accountants on Compliance and Internal Control over Financial Reporting. Disclosure in this report, which is dated December 10, 2004, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the Town for the year ended September 30, 2004, we report the following in accordance with Chapter 10.550 Rules of the Auditor General *Local Governmental Entity Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(h):

1. Recommendations made in the preceding annual financial audit have been implemented, except as disclosed in the accompanying schedule of findings.
2. The Town is in compliance with the investment policy of public funds established Section 218.415 of the Florida Statutes.
3. Recommendations to improve the Town's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings.
4. During the course of our audit, nothing significant, considering both quantitative and qualitative factors, came to our attention that caused us to believe that the Town:
 - a. Was in violation of any laws rules, regulations and contractual provisions or abuses that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.
 - b. Made any illegal or improper expenditures that were discovered within the scope of the audit that may not materially affect the financial statements.
 - c. Had deficiencies in internal control that are not reportable conditions including but not limited to:
 - (1) Had improper or inadequate accounting procedures.
 - (2) Failure to properly record financial transactions.
 - (3) Other inaccuracies, shortages, defalcations and instances of fraud discovered by, or that came to the attention of the auditor.

Honorable Mayor, Town Commission and Town Manager
Town of Lauderdale-By-The-Sea, Florida
Page Two

- d. Had other inaccuracies, shortages, defalcations or instances of fraud.
5. The Town of Lauderdale-By-The-Sea, Florida was incorporated by Laws of Florida 27675. The Volunteer Fire Department, a blended component unit of the Town, was created by ordinance in 1962.
6. The Town, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statute, Section 218.503 (1). The Town had no deficit fund balances for two consecutive years.
7. The annual financial report for the year ended September 30, 2004 has been filed with the Department of Financial Services pursuant to Section 218.32 Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2004.
8. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment, which was performed as of the Town's fiscal year end, was based on representations made by management and the review of financial information provided by the Town. There were no findings that identified deteriorating financial conditions.

This report is intended solely for the information and use of the Mayor, Town Commission, management, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
December 10, 2004

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

PART I. CURRENT YEAR COMMENTS AND STATUS

None.

PART II. PRIOR YEAR COMMENTS AND STATUS

Purchasing Policies and Procedures

Condition

During our audit of the financial statements, we noted that the Town's purchasing policies and procedures are not followed or have not been updated to reflect certain thresholds. The purchasing procedures, including authorization limits for oral and written bids as well as requirements for commission approval on purchases, has not been updated for several years; currently, these purchases require an approval of all expenditures of items over \$50. We noted that for the majority of the year, the Town did not follow the existing purchasing procedures because the threshold limits were too low.

Recommendation

We recommend that the Town review its existing purchasing policies and procedures manual and propose and implement changes to reflect suitable procedures that would address and correct.

Management Response

We agree that the Town's existing purchasing policies and procedures manual should be suitably updated. Revisions will be submitted to the Town Commission in March 2005.

Bookkeeping

Condition

While testing the Volunteer Fire Department Special Revenue Fund, a blended component unit, we noted that overall bookkeeping over the related activity was not adequately maintained. The Volunteer Firefighter Department records transactions in two general ledgers and is not provided to the Town regularly throughout the year. This form of recordkeeping is at risk of having transactions duplicated. Additionally, the Volunteer Firefighter Department does not keep an adequate audit trail of contributions received in their booster drives. Without an adequate audit trail of such matters, contributions are more susceptible to theft and misappropriations.

TOWN OF LAUDERDALE-BY-THE-SEA, FLORIDA

SCHEDULE OF FINDINGS (Continued)

PART II. PRIOR YEAR COMMENTS AND STATUS (Continued)

Bookkeeping (Continued)

Recommendation

We recommend that the Volunteer Fire Department outsource its accounting function to an experienced and independent bookkeeper, as well as create written policies and procedures to clarify the functions of the bookkeeper and the Volunteer Firefighter Department's paid administrative staff. Additionally, all deposits should be reconciled and the appropriate documentation maintained by the accountant.

Management Response

This comment has not yet been implemented